



# A New Era: An Analysis of the Contemporary Art Market Bubble

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“A New Era”

An Analysis of the Contemporary Art Market Bubble

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A Thesis in the Field of Visual Arts

for the Degree of Master of Liberal Arts in Extension

Studies

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## Abstract

Contemporary art as a collectible, asset, and lifestyle has achieved a dominant presence in society and the global marketplace over the last few decades. Auction house sales continue to break world records, art fairs have morphed into cultural spectacles, and museums receive more visitors than ever before. The history of art has been forever altered, yet no one has successfully delineated a substantial answer as to why this shift occurred and where the industry is headed. Here, I explore what accounts for today's radical art collecting culture and the boom of the contemporary market. In my thesis, through research and experience, I suggest that a culmination of several factors accounts for the drastic shift in the art industry and this "new era" of art.

## Dedication

This thesis is dedicated to my family for their unwavering support, to my husband for his loving encouragement, and to the artists I have met with over the years for their infectious enthusiasm.

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## Chapter I

### Introduction

The global art industry is arguably one of the world's strongest and fastest developing markets, already twenty times larger than it was in 1990 (Spiegler, "Five Theories"). The European Fine Art Foundation (TEFAF) released a report in 2014 setting its total size, including public auctions, galleries, and private dealer sales, at about \$65.9 billion, the highest in history (Kazakina, "Art Market Nears Record").

Although there has been growth across the board, the contemporary art market in particular continues to break records. In November of 2013, the Post-War and Contemporary Art Sale at Christie's saw bidders from 42 countries with a total sale of \$691 million, and auction house competitor Sotheby's saw its sales figures climb to a still impressive \$380 million (Lovern, "November Auctions Break All Records"). Critics were convinced the art market had seen the height of the bubble in such a groundbreaking auction. However, Christie's continued to break its previous contemporary art sale record in May 2014, fetching \$744.9 million, again in November 2014 with sales totaling \$852.9 million and once more in May 2015 with a historic \$1,726,019,375 sale (Tarmy, "Christie's Smashes Record; 'New Territory for the Art Market'").

The art world has achieved status and reputation as a dynamic, global, high stakes industry, where new collectors emerge in droves and record-setting prices leave audiences awestruck. Such numbers rise even through several economic recessions and international financial unease. Contemporary art collecting continues to rapidly gain

popularity among the wealthy and prized artworks perceivably strengthen in monetary value. Artnet, a top online-based service provider for art analytics, published a graph to indicate the significant rise in the art market since the 1980s, using the ArtnetC50 (their primary analytics index) in comparison to the S&P 500. Additionally, ArtPrice, an organization with the world's largest database for contemporary art, released a report in 2014 noting that contemporary art sales grew 40 percent from 2013 to 2014 and works priced at auction for at least 10 million euros in 2013 have more than doubled (McGurran, "Contemporary Art Sales").

For an unregulated industry and seemingly volatile market, contemporary art's transformation into the entity it is today makes for a cultural and economic phenomenon. As poignantly stated by Jussi Pyllkanen, one of Christie's head Auctioneers, to a New York Times journalist, "We are in a New Era of the Art Market" (Vogel, "Christie's Contemporary Art").

It is vital to highlight that this 'market turn' – if we could suggest that such a shift in academic focus is occurring – offers the exciting prospect of a reinvestigation of the historiography of art history as well as a reinvigoration of its conceptual frame-works. It is perhaps important to acknowledge that the well-marked-out territorial spaces and methodological tools of disciplinary-specific study remain a significant barrier to interdisciplinary investigations, but the work that is currently being undertaken on the histories of the art market by economic historians, and social and urban historians, as well as art historians, suggests that cross-disciplinary and interdisciplinary investigations have enormous potential, and that these emerging collaborative investigations and studies can only further enrich our understanding of the history of the art market, and art history. (Westgarth 25-27)

Over the course of several years I have completely immersed myself into New York City's contemporary art world, as a thesis student and a young professional. I have assisted behind the scenes in the Contemporary Art department of two auction houses, I

have worked for an emerging artists gallery start-up and I have conducted research for an International art advisor. In autumn of 2015 I founded an art advising company with a focus on early-mid career artists. The mission is to create visibility for artists and shift how audiences engage with the next generation of talent. I am additionally involved with the Museum of Modern Art Junior Associates, the Guggenheim YCC Acquisitions Council, the Whitney Museum Contemporaries, and I actively support the New York Academy of Art, among other art-focused institutions. Both my career and my desire to learn as much as I can about the industry have led me several times to Art Basel and the Miami satellite fairs, as well as dozens of New York art fairs including Frieze and the Armory Show. Experiences from sitting down with emerging artists in their tiny Brooklyn or Bronx based studios, to speaking with blue-chip collectors at a Sotheby's dinner the night before a monumental auction, to hearing the experiences of Artsy's young editorial staff, to attending numerous curatorial lectures and panels in different cities, to watching one of London's top art dealers present a full artist pitch to a colleague, to discussions with friends who are art dealers, advisors, collectors, and non-profit directors, have all contributed to my current perspective on the industry. I also bring to this discussion years of research from a range of sources spanning newspapers to autobiographies to critical essays, written by collectors, specialists, artists, art consultants, economists, hedge fund collectors, philanthropists, professors, among others.

From my research I recognized that a preponderance of works are written from one-dimensional economic or art historical perspectives, and neglect to effectively draw conclusions as to “why” the art industry exists in its current state. For instance, New York *Times* writer James Stewart writes, “What the hedge fund managers — not to

mention many of the world's billionaires and sovereign wealth funds — are interested in tends to be contemporary and postwar art. Why they would all be flocking to the same handful of artists is, like many aspects of the art market, something of a mystery” (“Record Prices Mask a Tepid Art Market”). Here I argue that the art market is not a mystery, rather that a dynamic culmination of several factors- a shift in culture, increase in global wealth, and emergence of fast-paced technology have in perfect harmony created the contemporary art “bubble.”

## Chapter II

### Contemporary Art: A Dominant Culture

The 80s were a decade of excess, strong social movements, and “lifestyles of the rich and famous.” Following on the coat tails of Andy Warhol with his commercialized celebrity and glamorized world, contemporary art culture experienced a radical shift into “high art,” a trend driven by an infiltration of money, but exacerbated by the influence of auction houses, art fairs and art consultants. A postwar baby boom, which peaked in 1959, led to an outpouring of art-school grads, feverishly trying to break into the market. In New York City alone, more than one hundred galleries opened between 1983 and 1985, with sales in 1984 alone exceeding \$1 billion. Competitiveness in the market grew even more intense when a greater influx of art fairs and festivals began dominating the scene. Art dealers were now faced with the emergence of “art advisors,” who facilitated the “transaction” of such deals and initiated future ones. Sotheby’s and Christie’s experienced an astounding upswing in both public and private bidders, precipitating a rivalry among the auction houses while setting astronomical record-breaking prices. International coverage of contemporary art auctions further fueled the mystery and intrigue of the industry with high end art collecting becoming synonymous with “glamor,” “jet-setting,” and “elite.”

Let me begin by presenting statistical research to verify this radical rise in contemporary art collecting, uncover several cultural catalysts for the craze, reveal the various platforms which drive the market, decipher the niche artists within contemporary

art, and disclose how contemporary art collecting has been validated by society and thus the cycle continues.

### The Numbers: An Increase in Collecting Contemporary

Before elaborating on the cultural shifts that contributed to the current industry, it is important to recognize how much the global market is driven by contemporary art. Mei Moses, an important name in art market analytics uses the Mei Moses Art Index (this

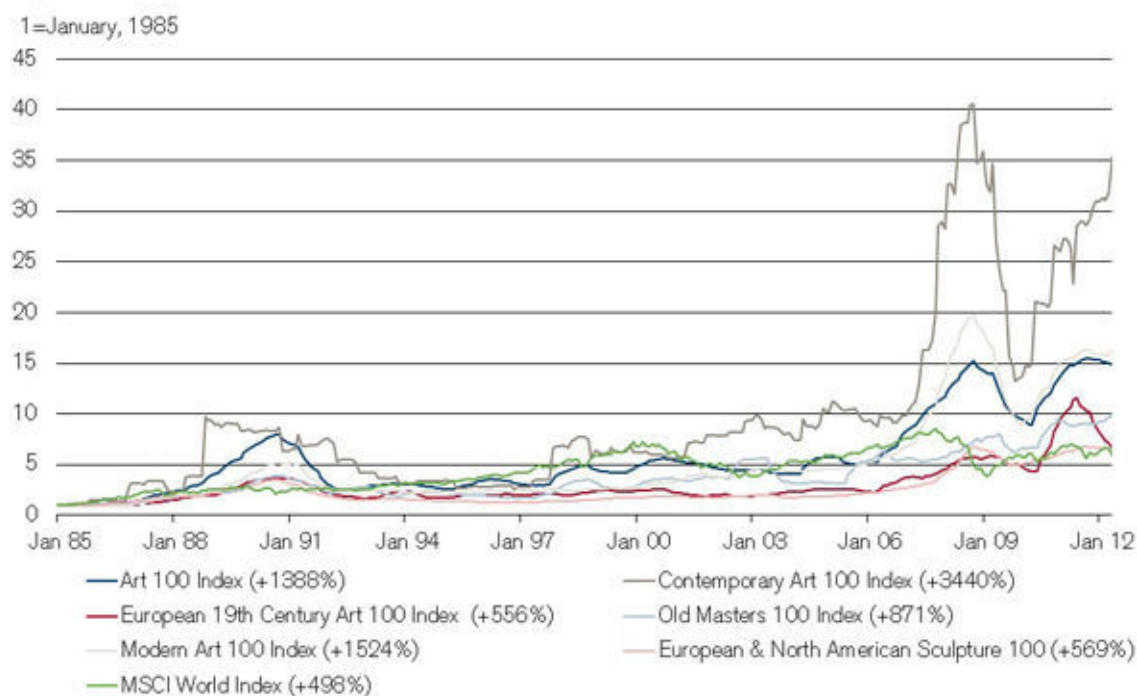


Figure 1. Mei Moses Index Indicating Contemporary Art Collecting from 1985- 2012. Rpt. in Art Assure, “Art Market Analysis 2013.”

derives from auction results and fine art indexes collected over the course of twenty years) to indicate how contemporary art is more profitable than all other genres and over the course of a decade, the number of contemporary art works at auction has tripled (Wellington). The graph indicates the growing popularity of contemporary art over the

last several decades, as compared to the Art 100 Index, European 19<sup>th</sup> century art, Modern Art, Old Masters, European and North American Sculpture and MSCI World Index.

A second graph published by Artnet tracks the performance of contemporary art in comparison to the other top genres of art, Impressionist and Modern, since the economic crash of 2009. It is clear that despite the slight downturn in the market, contemporary art showed significant gains, with overall returns reaching almost 200% since 2009 (Lovern, “The Art Market”).

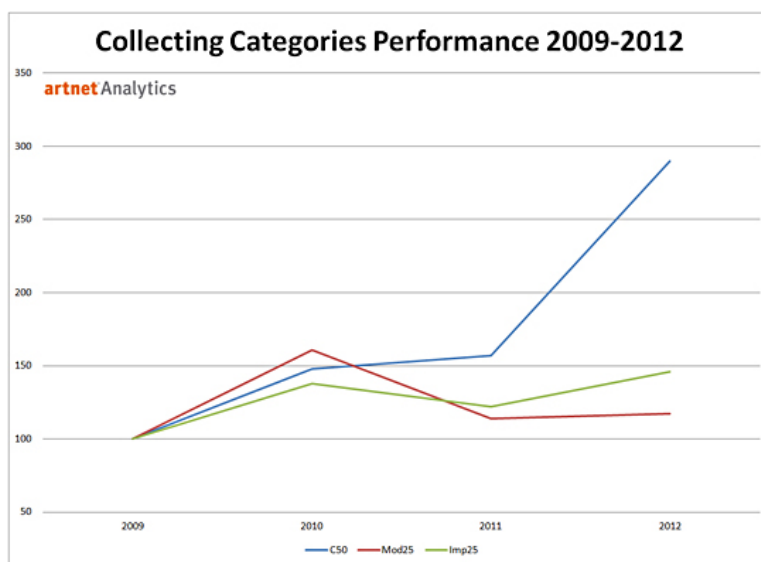


Figure 2. Contemporary Collecting Patterns 2009- 2012. Artnet Analytics, “Collecting Categories Performance.”

### The Now: Contemporary Times

Despite an economic recession, overall contemporary art prices have risen. There continues to be a market for Old Master and Impressionist paintings, but it is Contemporary Art shows creating the most buzz, achieving international acclaim, and generating the highest revenue. One can surmise that contemporary art exhibitions appeal to a wide range of viewers because they are brighter, flashier, and relevant to today’s society, having a different effect on viewers than artwork from previous centuries. Contemporary art is defined by NYU Steinhardt School of Culture, Education and

Humanities as “the art of today, produced by artists who are living in the twenty-first century. Contemporary art provides an opportunity to reflect on contemporary society and the issues relevant to ourselves, and the world around us” (“Definitions: Contemporary Art”). Audiences evolve over time, so what was outrageous in 1798 when Francisco de Goya presented “La Maja Desnuda” and Edouard Manet’s Olympia in 1893 no longer receives the same public reaction. The beginning of the contemporary art genre is marked by Picasso’s “Les Femmes d’Alger (O. J.)” revealed in 1907 and Marcel Duchamp’s urinal sculpture “Fountain” in 1917, which now attract visitors paying tribute for their historical importance to the genre, yet they are no longer groundbreaking to viewers (“Shock Factor: Controversial Art Throughout History”). Later examples of popular contemporary works are Tracey Emin’s “My Bed” in 1998 and Yayoi Kusama’s “Infinity Room” in 2013. As time passes, audience perceptions shift, which further indicates why there is a continued interest for contemporary art into the 21<sup>st</sup> century.

### The Cultural Catalyst: Andy Warhol

Andy Warhol is commonly regarded as one of the most well known, easily recognizable, and influential artists of the second half of this century. He was a product of the first generation raised in a society consumed by mass media and saturated sensationalism. Warhol’s works brought into question the idea of art’s originality, the difference between high and low art, art’s authenticity-- if it can be replicated or copied-- art as a commodity, art as the mundane, and raised the question in people’s minds “how do you define art?” Artfully cultivating his reputation and commercializing his art, he is best known for overproducing everyday consumer images such as the Campbell’s soup



can and dollar signs as well as iconic figures such as Marilyn Monroe and Mao Zedong. Warhol recognized society's appetite for celebrity and played into it. In the catalogue of his first international retrospective exhibition at the Moderna Museet Gallery in Stockholm in 1968, he stated "In the future, everyone will be world-famous for 15 minutes" ("Other Voices, Other Rooms"). Warhol's statement remarkably forecasted the world we live in today. Cultural historian Jon Savage reflects,

I went to see his [Warhol] 1989 retrospective at MoMA. You walked into the 60s rooms and there it all was – America. Money, sex, fame, death. Warhol summed, up, defined and in many ways embodied the world in which we now live. (Needham, "Andy Warhol's Legacy Lives on in the Factory of Fame")

While Warhol branded himself and his art as "cool," ultimately exalting himself into a superstar and his repetitive silk-screened Coca Cola cans as high art, his social world was just as riveting, consisting of socialites, celebrities, parties, and travel. He proved successful in his efforts to be world famous, and he remains to be one of the best selling artists of all time. "Andy Warhol has been called a "one-man Dow Jones" – a barometer of the health of the whole art market. The online site Artprice reckons he produced some 400,000 works – a staggering number, and only possible because of the factory he created and the prints produced. In only the year 2012, sales of Warhol totaled almost \$330m at auction, according to Artprice, with an unknown amount also sold through dealers (Adam, "All Eyes On the Andy Index"). Then at Christie's November 2013 auction, Warhol set a record with one of his paintings *Silver Car Crash (Double Disaster)* selling for 105 million dollars ("Warhol Car Crash Painting Pops Artist's Sale Record"). His artworks are said to account for one sixth of Contemporary Art sales. (Needham, "Andy Warhol's Legacy Lives on in the Factory of Fame"). Warhol

unquestionably served as a major catalyst for contemporary art today as defined by celebrity, money and exclusivity. Stuart Comer, curator of film at Tate Modern, said, “He understood the very core of how industry and society and economics come together. Until capitalism ends, his influence will be irrevocable” (Needham, “Andy Warhol's legacy lives on in the factory of fame”).

### The Marketplace: Auction Houses

To provide perspective on the auction market, Contemporary Art public auction sales totaled \$87.7 million in 2001, followed by \$1.26 billion in 2011, and most recently surpassed \$2 billion in 2014 (“Art Market Analysis 2013;” McGurran, “Contemporary Art Sales”). “[The success of Contemporary Art auctions] proves the market is globally very strong. There were so many international bidders,” said Sandra Nedvetskaia, Director of the contemporary art fair Cosmospow and the former Director of Christie’s Russia (Tarmy, “Christie’s Smashes Record). Auction houses are essential to the growth of the global art market because they offer a somewhat transparent platform, generate media buzz, groom new collectors, maintain extensive networks for new inventory, and their international influence draws in bidders from around the world. A presence of phone and online bidding allows collectors to bid on an artwork going up for auction on the other side of the globe. Prominent auction houses continue to establish locations all over the world, for instance Sotheby’s now has 90 locations in 40 countries, 9 salerooms around the world, and conducts some 250 auctions a year. Auction houses’ international presence is essential to the establishment and development of the global art market.

Sotheby's and Christie's seasonal auctions propel the market forward, through initiating the buying and selling of art among dealers, personal collectors, art advisors, museum curators, cultural institutions and corporations. The frequent sales activity facilitated by auction houses inevitably ensures that there will always be turnover in the market. When art goes up for auction, especially with a particularly high estimated value, the auction house often guarantees the seller a confidential "reserve" price, which further incentivizes sellers.

The term "auction" derives from the Latin word *augeo*, which means to "increase" or "augment" (Krishna, Auction Theory). There is no regulation on the selling "hammer" price and subsequently competitive bidding brings in astronomical prices. These sales are publically reported and therefore have an effect on collector confidence or lack thereof. New York *Times* writer James Panero points out that "the rise of the auction houses, indirectly at least, has furthermore led to the creation of online price databases and metrics to track art as investments" ("The New York Fairs" 43-50). While the majority of international art sales go unreported, auction results offer extensive data for dealers, consultants, collectors and connoisseurs to reference. Avid collectors take auctions seriously because they often believe (although this notion can absolutely be disputed) that the hammer prices suggest a potential value of their personal collections.

### The Negotiator: Art Advisor

Art advisors have served as major catalysts for the wealthy patron's acquisition of great works over the last century or so. They work directly with clients to assist them in obtaining artwork, through a gallery dealer, an auction house, or on some occasions

through the artist himself. In the late 1980s, Sotheby's and Christie's began offering undergraduate and graduate courses in art valuation, art law and business ethics for those interested in becoming advisors. Along with a new wave of art consultants, corporations such as Citibank and Deutsche Bank also began capitalizing on the trend by offering complete art advising services. "People outside the art world see the gains and want a piece of the action," says Mary Hoeveler, managing director of Citigroup Private Bank's Art Advisory Service (Gutner and Capell, "Funds to Please the Eye").

Adam Lindemann, avid art collector and author of *Collecting Contemporary* believes that art advisors have "tremendous power." He continues,

If they thumb-up or thumb-down it, an artist's career can grow or it can shrink. The 10 percent that one pays for that advice can pay off in multiples. The art world is a world of winners and losers. It's not a world of small, incremental changes. The hits are astounding, but the misses are also astounding. (Fineman, "Art Advisors")

Director of the Sotheby's Institute of Art in New York, Steven L. Brezzo, does his best to describe the qualities it takes to be an art advisor. He suggests that the profession is "kind of a schizophrenic specialty. It requires that the person be part connoisseur, with the eye of a decorator, the analytical skills of a C.P.A., the logistical skill of a general, the grit of an entrepreneur and most likely, the diplomatic finesse of a Presbyterian minister" (qtd. in Fineman).

However, the general public does not realize that a person can refer to himself as an art advisor without graduating from an Art Business Masters program, or achieving any education or training at all. In fact, there is no legal licensing required to buy and sell artwork on behalf of a client. An advisor can join various organizations such as The

Association of Professional Art Advisors, but even such groups require no test or formal certification to accept people as members.

### The Religion: An Object of Luxury

The concept of the “white cube” exhibition space became the norm by the time hundreds of galleries opened up in New York City in the 1980s. By isolating a piece of art on a white wall, gallery directors created an almost religious experience, which undeniably contributed to the aesthetic experience of viewing or owning contemporary art. A study by Helena Rubenstein Curatorial Fellows at the Whitney Museum of Art focused on the relation between an exhibition space and the art market. The Rubenstein fellows found that “commodity aesthetics” are an essential part of the production and mediation of the museum structure as well (Braathan, “The Commercial Significance of the Exhibition Space”). The contemporary art viewing space draws parallels to the peacefulness of visiting a church, where the piece of art is observed, reflected on and praised within a space (“The Commercial Significance of the Exhibition Space”).

In entering a designer shop, items are noticeably displayed in a sparse manner, which is distinctly similar to the aesthetic of a Chelsea art gallery. Author Martin Braathen suggests that there are clear similarities between the way expensive merchandise and artwork are displayed. While this notion itself is not surprising, for both art and luxury have similar clientele, recognizing this distinct overlap of commerce and contemporary aesthetics draws at the larger issue of whether art has taken on the identity of a luxury good.

### The Language: Conceptual and Exclusive

Along with an exclusive environment and luxury aesthetic, contemporary art is a language in itself, where one must put in time and energy into understanding and interpreting it. To be taken seriously in the art world one must know who's who, a wide range of retrospectives, gallery names, and upcoming art fairs. Additionally, most contemporary, post conceptual art is deeply rooted in art theory, contextualization, process and form. For an audience not well versed in 'artist speak' it becomes truly difficult to participate. The convoluted semantics of contemporary art contribute to the private, exclusive nature of the industry. Karolina Fabelova wrote an article for *The Prague Journal Of Central European Affairs* suggesting the draw and mystique of the contemporary art world. She writes, "contemporary art is autonomous, mysterious, and hermetic, the wider public is often excluded," thus, making it more appealing to collectors (Fabelova 85-95).

Mark Fletcher, an art advisor and past director of the Gladstone Gallery in New York stresses the exclusivity of the industry and importance for collectors to hire an art consultant who is connected. "The most important thing an art adviser can provide is access. It's become much more difficult to buy art these days, especially in the primary market, which is highly imperfect because, unlike auction buying, it's a closed system based largely on relationships of trust." Likewise an art advisor named Lowell Pettit says, "I've definitely felt that there's a certain hazing ritual in art buying. Galleries literally want your C.V. and that of your client" before they will part with their best inventory (qtd. in Fineman). It is essential for a collector or their consultant to speak the language of the contemporary art world, if they wish to get involved in any capacity.

### The Destination: Art Fairs

Art Fairs are a viable part of the art world because they offer a platform for collectors and attendees to view the best of what galleries have to offer, as well as participate in discussions, lectures, and social gatherings. These events have existed in some capacity since 1967, but it was specifically during the 1980s when their popularity and their influence on the market grew exponentially. One of the largest and most influential is Art Basel in Miami, Hong Kong, and Switzerland, which features more than 280 of the world's leading galleries, exhibits over 4,000 artists, and has over 98,000 attendees ("Home" Art Basel). Another highly regarded art fair is Frieze, which takes place in London and New York, presents over 190 galleries from Berlin to New York to London to Tokyo, including over 1,000 artists, and usually attracting over 60,000 visitors ("FAQs" Frieze London). Lastly, the Armory Show in New York City is a highly respected and well-attended fair, with over 200 exhibitors and it usually sees about 60,000 visitors ("Armory Show"). *"Axa Art's International Collectors Survey 2014* is the product of a vast assessment of nearly 1000 international collectors... 95% of those interviewed confirmed that they consider art fairs as a source of primary importance" (*"Collecting in the digital age: Axa Art Collectors Survey reveals the trends"*).

With private jet travel, VIP previews, and red carpet events defining the culture of today's high-end art fairs, gallery dealers are obligated to attend because "dealers worldwide earned about 36 percent of their sales on average through local or international art fairs in 2012, an increase of 6 percentage points from 2010, according to the *European Fine Art Foundation's Art Market Report* by Arts Economics, which surveyed 6,000 dealers" (Bowley, "For Art Dealers, A New Life on the Fair Circuit").

The Arts Economics Report said that some dealers attend as many as ten fairs a year and send up to twenty employees, with costs pushing \$300,000 for fair expenses (“For Art Dealers”). “We used to sit around in the gallery on a Saturday afternoon hoping someone would come in,” said Arne Glimcher, of the Pace Gallery in New York. “What we are dealing with now is destination shopping. We have to be in different places. We bring the art to the collector rather than bringing the collector to the art” (“For Art Dealers”).

### The Stars: Artist as Celebrity

A combination of high hammer prices and self-promotion in the 1980s elevated many artists into well-known figures. During Christie’s auction in November 2013, 49% of all evening sales came from the top five lots, generating \$336.8 million. Likewise, Sotheby’s top five lots of the November 2013 Contemporary Art sale earned US\$204.3 million, which accounted for 54% of the total sales (Lovern, “November Auctions Break All Records”).

November’s Top 5 Artists by Value		
Rank	2013	2012
1	Andy Warhol	Andy Warhol
2	Pablo Picasso	Pablo Picasso
3	Francis Bacon	Mark Rothko
4	Jean-Michel Basquiat	Franz Kline
5	Alberto Giacometti	Claude Monet

Figure 3. Contemporary Auctions 2012 and 2013. Artnet Analytics, “November Auctions Break All Records.”

Interestingly the most well known and highest selling artists have taken a Warhol-like approach to their work. Exercising self-promotion, commercialization, and repetition



of images, his technique has turned several artists into superstars. Damian Hirst, a YBA, or otherwise known as “Young British Artist,” epitomized this transition from artist to high paid, famed socialite. Jeremy

Valentine, a writer on media and culture, discusses how Andy Warhol’s clever ability to build a myth around himself directly inspired Hirst and his techniques (Valentine 41). In “Art’s New Financial Landscape,” Panero writes that Hirst emerged as a “spectacle of media capitalism,” which in effect created cultural governance and a sophisticated commentary on the art market. Hirst’s diamond-encrusted human skull sculpture,

Top 10 Lots Sold in November			
Artist	Lot Title	Auction House	Price Realized
Francis Bacon	<i>Three Studies of Lucian Freud (in 3 parts)</i>	Christie's	US\$142.4 million
Andy Warhol	<i>Silver car crash (Double disaster) (in 2 parts)</i>	Sotheby's	US\$105.4 million
Jeff Koons	<i>Balloon dog (Orange)</i>	Christie's	US\$58.4 million
Andy Warhol	<i>Coca-Cola (3)</i>	Christie's	US\$57.2 million
Alberto Giacometti	<i>Grande tête mince (Grande tête de Diego)</i>	Sotheby's	US\$50.0 million
Mark Rothko	<i>No. 11 (Untitled)</i>	Christie's	US\$46.0 million
Pablo Picasso	<i>Tête de femme</i>	Sotheby's	US\$39.9 million
Alberto Giacometti	<i>Diego en chemise écossaise</i>	Christie's	US\$32.6 million
Jackson Pollock	<i>Number 16</i>	Christie's	US\$32.6 million
Willem de Kooning	<i>Untitled VIII</i>	Christie's	US\$32.0 million

Figure 4. November 2013 Auction Sales. Artnet Analytics, “November Auctions Break All Records.”

*For the Love of God*, was sold to an anonymous group of investors for the asking price of \$100 million, with his White Cube Gallery show topping off at \$260 million in sales ("Art's New Financial Landscape" 153-156). Another artist who has taken a similar approach to Warhol is Jeff Koons. This methodology proved to fiscally work in his favor, when during one of the most recent Christie’s Post War/ Contemporary Art evening sale he became the highest paid living artist from *Balloon Dog (Orange)* fetching \$58.4 million (Rooney, “Is There a Bubble in the Art Market?”).

Several of the other top selling artists of all time include: Donald Judd, Wade Guyton, Anish Kapoor, Francis Bacon, Mark Grotjahn, and Christopher Wool.

Particularly, Bacon's *Three Studies of Lucian Freud* achieved the highest price ever paid for a work of art (Rooney, "Is there a bubble in the art market?"). According to Georgina Adam, Editor at Large at the *Art Newspaper* in an article for BBC,

Billionaires across the world know who are the top artists and want the same recognizable things – pushing up prices even further. Two Asian bidders, for example, went after the Bacon at Christie's, one pushing it right up to its final price. (Adam, "Collectors Pay Billions for Art's Hot Property")

### The Search: Emerging Artist Discovery

While there is a solid-group of blue chip artists that drive the highest prices at auction, there is also a significant push by collectors and dealers in a search for the next Warhol. These young and talented artists are defined as "Emerging." There are a handful of favorite rising stars that have been made popular by famous dealers like Larry Gagosian and influential critics, such as New York *Time's* Roberta Smith. The most financially successful members of this contemporary art subset are Sterling Ruby, Parker Ito, Dan Rees, Lucien Smith, and Oscar Murillo. Phillips de Pury, an auction house that focuses mainly on Modern and Contemporary Art, has been producing a quarterly auction "Under the Influence" that sets benchmark auction values for these artists works. These "hot" emerging artists are also appealing because their price points are still "affordable," very relatively speaking. Scott Reyburn of the *New York Times* speaks to this trend, "Midseason auctions of affordable works by emerging names are telling temperature gauges for the contemporary market" ("Hot New Artists, Getting Hotter"). Josh Baer of the Baer Faxt dispatch email reports, "The flow of new people coming into the market and the scene keeps growing.

“Young artists are getting swiped up and hundreds of collectors are chasing a limited inventory—so these works at the fair might have 50 people asking to buy them” (Baer, “Miami Report”). However, there are also pitfalls to such an overwhelming enthusiasm because some people purchase art from emerging artists with ‘promise,’ promote them, and almost immediately ‘flip’ the artwork to make a profit. Doing so spikes the ‘value’ of an artists work for a short period of time, and inevitably damages the longevity of their career. Professionals in the industry scoff at such a technique and people looking to flip art are immediately blacklisted from galleries. However, despite the consequences, some outsiders continue to propel this cycle forwards.

### The Buzz: Media Gatekeepers

Some artists have become celebrities through media coverage of blockbuster exhibitions, major public collaborations and even performance art. Famous rap star Jay Z teamed up with Pace to film his music video “Picasso Baby” in their New York gallery, Takashi Murakami collaborated with Louis Vuitton to reinvent their traditional monogram, Dom Perignon asked Jeff Koons to design a limited edition rose bottle, among many other examples. Harald Falckenberg, a Doctor in Law and Professor of Art Theory at the Hamburg Academy of Art writes,

Art in today’s society has risen to become a new dominant culture, anchored like sport and showbiz in the system of international companies and the mass media. As creative potential, art and culture are tapped and marketed at every level. But also at issue are desires, longings and personal individuality. ‘Art has become the religion of high society.’ (“The Art World We Deserve”)

John Hartley is a professor and author in media, journalism, cultural studies and the creative industries. Hartley argues in his book *Popular Culture* that journalists,

referred to as cultural gatekeepers, mold the “knowledge producing . . . Sense-making sphere” and enable the concept of celebrity to thrive (Hartley, *Popular Reality: Journalism and Popular Culture*). In an *Artweek* article where J. Keats interviews Jeffrey Deitch, Director of the Museum of Contemporary Art in Los Angeles, they discuss Deitch’s influence in turning artists into celebrities. There is an instance where Deitch set his sights on a twenty-five-year-old Yale MFA student named Ted Mineo and featured him in his Art Basel Miami exhibition booth. As a result, Mineo was then covered by the *New York Times* in an article fittingly named “The Debutante’s Ball,” inevitably further launching the artist’s career (Keats 39). Robert Storr, the dean of the Yale University School of Art, touches on the notion of celebrity artist with caution:

Artists who consider marketing themselves should think twice. Warhol had an instinctive grasp of just how to play the game and played it with genius. Lesser talents may, in the short term, laugh all the way to the bank. But in the long term they may wake from their pipe dreams of fame and fortune as ‘period’ laughingstocks while their work floods the flea market. (Burns, “Can Their Love Last Forever?”)

Storr’s assertions carry much validity, for once art industry influencers deem an institution or artist’s work as not serious or notable, it is arduously difficult and sometimes impossible to reverse popular opinion. However, Storr’s simple call of inaction to artists is much more complex than he suggests. First off, in order for an artist to be financially independent they must be known and collected. There are tens of thousands of artists, and self-promotion is a tried and true way to stand out amongst the noise. The romantic alternative suggests that artists wait until they are ‘noticed’ by a dealer or collector. Another notion challenging Storr’s assertions is that in contemporary times it is almost impossible to avoid marketing, for all of society now partakes in social

media, controlling their online ‘persona,’ which is effectively a form of self-promotion. Lastly, an interesting factor that Storr overlooked is the significance of the vehicle by which the messages are conveyed. The media platform itself influences the audience, either consciously or subconsciously. An artist written up in Brooklyn Rail, Complex Magazine, Artforum, Town & Country and Wall Street Journal all offer inherently different implications.

Touching on personal experience working with early-career artists, I have witnessed three distinct ways that artists negotiate with the media challenges of today. The first is the artist who lives with a bohemian attitude, neglecting their online presence and avoiding all interactions that could be interpreted as ‘selling out.’ Such artists are vocal within the confines of their intimate arts community, and only self-publish small catalogues, foldout brochures or design records that they pass out to friends for free. The second type of artist and the most common, half-hazardly participate in Instagram, Artsy and Saatchi Art, but they have a personal website and believe it is essential to be visible in the art scene and play the ‘commercial game’ if they wish to someday support themselves through art. The third type of artist approaches contemporary culture and commercialism with guns blazing, actively collaborating with media-titans from various industries to achieve a greater Instagram following, and they are of the belief that all press is good press. Whether following the path of embracing self-promotion, avoiding it at all costs, or finding a balance of the two, all techniques require an artful dance and an ability to manage self-interest, conflicting messages, and competing intentions.

### The Validation: Museums & Institutions

Many new museums and existing institution wings have been built to accommodate contemporary art over the last several decades, further legitimizing and precipitating the mania. “Several dozen such new buildings completed in the past two or three years alone in cities as diverse as Buenos Aires, Cleveland, Cracow, Rome, Oslo and Sydney. In Britain, even the grand 330-year-old Ashmolean Museum in Oxford, which used to house the stuffed body of the last dodo in Europe, is planning to build itself a new gallery for contemporary art” (“Contemporary art: On a wing and a prayer”). The Whitney Museum of Art recently completed a renovation that tripled its exhibition space to showcase its ever-growing contemporary art collection. Another New York Institution, the Metropolitan Museum of Art has been working to create a wing that is solely modern and contemporary art. Additionally, H.E Sheikha Al Mayassa bint Hamad bin Khalifa Al Thani has been rapidly collecting art on behalf of the Mathaf Museum she founded in Doha, Qatar. Now that contemporary art is widely recognized by a range of museums and institutions, the general population generally accepts the last half century’s art as historical and essential.

The continuous growth of contemporary art museums creates further exhibition space to display artists. Greater museum square footage means more acquisitions and subsequently more valuable art. For when an artist is exhibited by a museum, there is a substantially increase in the value of their work. A lesser-known phenomenon is the symbiotic relationship between museums and galleries, often times driven by sizable donations. In the spring of 2015, *The Art Newspaper* conducted a research study, concluding that “almost one third of solo shows in US museums go to artists represented

by just five galleries” (Halperin). Those same five dealers, Gagosian Gallery, Pace, Marian Goodman Gallery, David Zwirner and Hauser & Wirth, accounted for “more than 90% (or 11 out of 12) of the major solo exhibitions at New York’s Solomon R. Guggenheim Museum between 2007 and 2013” (ibid). Such numbers are staggering and indicate a deep-seeded link between museum institutions and the art market.

In conclusion, contemporary art is no longer just an artistic movement, but a dominant culture deeply impeded in today’s society. Warhol pioneered a culture that blends art with celebrity, subsequently creating an art industry where auctions, fairs and galleries exist at the center of fame and money. Through rampant media coverage, audience enthusiasm and institutions investing millions of dollars in support of contemporary art, collectors continue to justify purchasing more art for their arsenal.

### Chapter III

#### A Market: Powered By Wealth

Mobilized by major tax cuts, a profusion of affluence, and expanding international markets, economic development in the 1980s contributed significantly to rapid growth in the art industry. The demographic of Wall Street's nouveau riche consisted mainly of bond traders, people who dealt in competitive trading for a living. These wealthy people and the corporations they worked for were looking for outlets to invest earnings, which soon led them to begin purchasing art. International wealth, especially in Japan, led serious collectors to begin challenging New York's high bidders and thus, a high stakes, competitive bidding market came into existence (Adam, "How Long Can the Art Boom Last?"). The acceptance of art as an asset class and contemporary art as the luxury of choice may have been perpetuated by an increase in galleries and auction house rivalries, but its meteoric rise is a direct result of significant growth in emerging markets, an expanding global economy, and an increasing number of tremendously wealthy individuals.

#### The Catalyst: Emerging Markets

Former President Ronald Reagan's decision to cut spending and lower taxes lies at the heart of the 1980s, where the US experienced the greatest bull market since the 1920s. According to Martin Anderson, who served as an advisor to Reagan and now is a senior fellow of the Hoover Institution,



We don't know whether historians will call it the Great Expansion of the 1980's or Reagan's Great Expansion, but we do know from official economic statistics that the seven year period from 1982 to 1989 was the greatest, consistent burst of economic activity ever seen in the U.S. In fact, it was the greatest economic expansion the world has ever seen - in any country, at any time. (Anderson, "The Reagan Boom- Greatest Ever")

He writes in his book *Reckoning with Reagan*, "In 1980, 4,400 individuals filed income tax returns reporting an adjusted gross income of over \$1 million. By 1987, over 35,000 taxpayers filed such returns" (Schaller 72). The United States economy was booming and the country had the largest gross national product, and then suddenly Japan was recognized as competition. Economic expansion in Japan was propelled by a sharp increase in demand for exported goods, such as steel, construction, automobiles, and technology. The economic prosperity of both the United States and Japan in the 1980s contributed to the initial extraordinarily expensive lot prices at auction, initiating media frenzy, and thus generating a contemporary art craze.

In addition to the United States and Japan, there are a number of emerging markets globally, which have spurred significant economic growth. To name a few examples of emerging markets: commodity producers CVRD, Aracruz and Petrobras in Brazil, High-tech companies TSMC, Hon Hai, HTC in Taiwan, and consumer companies Televisa, Modelo, and Telmex/ America Movil in Mexico ("Is this the emerging markets century?") Brazil, Taiwan and Mexico are all countries where there has been a significant growth in art collecting. Such observations are significant because there is undoubtedly a direct correlation between emerging markets and art collecting trends.

### The Numbers: Increasing Global Wealth

Capgemini and RBC Wealth Management published 2013 World Wealth Report, indicating that the world's population of High Net Worth Individuals (HNWI) (those with \$1 million or more in investable assets) increased by 9.2% to reach 12.0 million, with aggregate investable wealth increased 10.0% to \$46.2 trillion (Capgemini). Even more extreme, Knight Frank's *The Wealth Report 2014*, stated that the number of Ultra High Net Worth Individuals (UHNWI) across the globe rose by 3% that year, taking the number of individuals with \$30m or more in net assets to over 167,000 worldwide. This number has increased by 59% since 2003, more than doubling in the Middle East, Latin America, Australasia and Africa. According to *Wealth Insight*, the number of centamillionaires, with US\$100m in net assets, has risen by 62%, while the tally of billionaires has climbed by 80% to 1,682. (The Wealth Report 2014 PDF.) "With asset prices rising worldwide since then, a growing number of millionaires and billionaires worldwide have been buying art, according to the report... At least 600,000 of the global group are mid-to-high level art collectors, the findings show" (Kazakina, "Art Market Nears Record With \$66 Billion in Global Sales"). Expanding global wealth has been integral to the growth of the market and owning contemporary art is now synonymous with having money.

Benjamin Mandel, an economist at the Federal Reserve Bank of New York who has studied the art market in great detail stated,

[It] is not really part of the overall global economy. Instead, it's part of the economy of a small subset of the super-superrich, whom some economists call Ultra High Net Worth Individuals, or U.H.N.W.I.'s. And their economy, unlike ours, is booming. In that alternate world, fine art as a percentage of the economy has stayed stable over the last decade, in part because a flood of new U.H.N.W.I.'s in China, India and other developing nations has entered the art-buying market with great enthusiasm. (Davidson, "How the Art Market Survives on Inequality")

Similarly, Charlotte Burns of The Art Newspaper, points out the expanding geographic concentration of UHNWIs internationally and the acquisition of luxury assets, in relation to art. She says,

In newer economies with more volatile, or less mature, financial markets, the rich spend more on luxury assets, including art, jewelry, wine and cars. According to a recent survey of 2,000 of the world's super-rich individuals by Barclays Wealth, respondents in the United Arab Emirates hold 18% of their wealth in such assets, closely followed by the Chinese and Saudi Arabians (both 17%) and the Brazilians (15%)—compared with 9% of Americans, who tend to focus on more traditional investments. Buyers from China and Qatar are entering the trade at this luxury level: they account for at least a quarter of the top 20 works sold at auction. (Burns, “How Long Can the Art Market Walk on Water?”)

Sarah Thornton, author and sociologist of culture, stresses that the art world is particularly affected by the glitz and conspicuous consumption of the international wealthy collectors. She writes that this specific market has “been punctuated by dazzlingly expensive sales to Arab royalty and Russian oligarchs buying name artists at devil-may-care prices.” She references the Ukrainian steel magnate Victor Pinchuk who purchased Jeff Koons’s *Hanging Heart* for \$23.6m in November of 2014, and Putin-friendly Roman Abramovich who acquired Lucian Freud’s *Benefit Supervisor Sleeping* for \$33.6m (Thornton 22-24).

### The Nouveau Riche: Art as Status

The high cost of contemporary art has arguably become synonymous with the aesthetic of the work itself, elevating it as a monetary status symbol. J. Keats of Artweek writes in an article titled “Manifesto” of the thorny relationship between art and its collector, for as ever-increasing wealth pours into the market, is it sometimes argued that

art has been reduced to a “commodity or a decorative trophy, often both simultaneously” (Keats, 39). In Karolina Fabelova’s article, “Art Religion or Business: Or Art in the Age of Relative Prosperity, Leisure, and Consumerism” she discusses how art has become connected to glamour, star cult and social status. She suggests that modern art is hermetically fragile and dismissive, intending to keep a distance from others and to create a hierarchy. Fabelova’s writes, “There is hardly another status symbol which is as compelling and as powerful as modern art.” (Fabelova 85-95). Contemporary art serving as a status symbol also can lead to a bit of “herd mentality.” David Kusin, a former Metropolitan Museum of Art curator who also worked on Wall Street and now runs Kusin & Company, a consulting firm in Dallas that specializes in the economics of the art market says, “Contemporary is so popular with this set of very rich, newly rich collectors. They can hang anything they want in their Manhattan co-ops or in Aspen and nobody can say that’s ugly... It’s a safe place to park your money. And if you leave the price tag dangling from the frame, so much the better.” (Stewart, James. *New York Times*- Record Prices Mask a Tepid Market for Fine Art”).

To further expand on what makes collecting art “safe” in some advisors eyes, there are two distinct explanations. In the realm of collecting, the contemporary genre offers the most widely recognized, accepted, and idolized works, thus easily impressing. Additionally they would quote a statistic about the rise in value of contemporary art, often referring to the Blouin Art Sales Index, stating that it “shows an average annual return of 10% over the past four decades.” However, a recent study by Stanford Business School found that the annual BASI return is 6.5%, not 10%. (Korteweg, Kraussl, Verwijmeren, “Is Art a Good Investment). It is somewhat misleading when art advisors

speak about the safety of investing in contemporary art because as anyone with entry-level understanding of finance understands, there is inherent risk in all asset investments and especially when there is a lack of diversification in the portfolio.

### The Passion Purchase: Art as a Luxury

Along with the rise in the wealthiest international population, the luxury market has grown exponentially and continues to do so. When financial firms analyze the spending patterns of UHNWI, they often refer to art collecting as luxury purchases of passion, rather than positional assets. Analyzing this specific market suggests some

**S&P Global Luxury Index vs. S&P 500 Index**

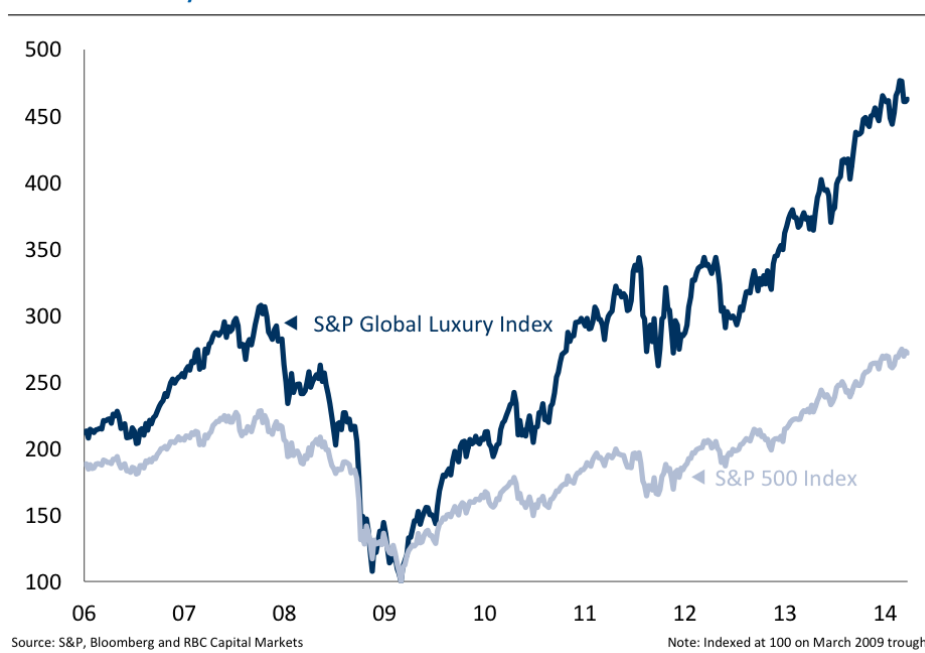


Figure 5. Increased returns for Luxury Market over S&P 500. Business Insider, “How The Global Wealthy Are Doing Better.”

interesting conclusions. In the last five years the S&P 500 delivered 21% in returns, whereas the luxury market brought in 31% in average annual returns (Roe, “How The

Global Wealthy Are Doing Better”). In viewing a graph which displays the pattern of luxury spending, specifically focusing on art collecting for UHNWI, one can see that it is growing at a rate of 3% annually, 2% in five years and 193% in the last ten years.

### The Investment: Art as an Asset

The profound shift of “art as a collectible” to “art as investment” becomes apparent when listening to people’s verbiage when discussing art. “Investment,” “asset,” “return” and “speculation” are all terms commonly utilized. John Kehe of the *Christian Science Monitor* writes of art as a financial investment, “The deep-pocketed 1 percent are going at art auctions hammer and tongs, ponying up record-busting sums across the fine art spectrum. Rich investors are now seeing art as a stable form of wealth management in uncertain times, especially when compared with the imperiled dollar or euro. And a lot more fun, apparently” (Kehe, "The High-flying Art Market").

James Panero, Managing Editor of *The New Criterion*, compares art to other assets and stresses the ease of investing in art, especially with the plethora of metrics currently in place to track art prices. In his article “Art’s New Financial Landscape,” Panero writes,

The art market exhibits few if any of the traditional indicators of speculation or other instabilities in pricing. Unlike real estate, most art is purchased with cash in hand. There are no sub-prime mortgages propping up the purchasing of art, no unstable supports to come crashing down in periods of price correction... This liquidity shows no sign of drying up. ("The New York Fairs" 43-50)

He further suggests that the wealthy population’s place in the art market is mainly a result of their inherent desire to invest and that “art may simply be a luxury good with limited supply and growing demand” ("Art's New Financial Landscape," 153-156).

Likewise, John Dorfman of Arts and Antiques, writes that, in light of a downturn in the economy it is popular now for people “to collect art as a barrier against global economic crisis” (Dorfman 64-71). Collectors believe that contemporary art will hold its value, despite the health of financial markets, because of the enthusiasm from an increasing number of buyers. However, one can argue that art has no inherent intrinsic value and that it is only worth what someone will pay for it. Looking at a simple supply and demand model, if an artwork has no buyers then it can be suggested that the piece is worthless. Such a notion implies why auction houses guarantee reserve prices. Rather than a work being deemed valueless at the end of the auction, the specialists have decided on a value that they will honor if the piece doesn’t sell, and everyone is pleased.

### The Gamble: Art as an Unregulated Market

When journalists and economists discuss the “Art Market,” they often neglect to mention that there are actually multiple “markets,” with the three most dominant ones currently in the United States, United Kingdom, and China. It is this competition among auction houses and the presence of an international art market that perpetuates an ongoing and expanding cycle. In present times, countries such as Brazil, Russia, and Azerbaijan have emerged strong on the art scene and are looking to rapidly expand their collections. Additionally, I found that people often draw parallels to the real estate or stock market because both markets are volatile and unpredictable; however, the art market differs in that it is a completely unregulated market. This fact allows for the limitless potential of hammer prices at auction. Liz Wolgemuth, finance reporter for the *U.S. News and World Report*, takes a cautious approach when examining the art market.

She compares the real estate and stock markets to the art market, but strongly suggests the importance of educating oneself or seeking out a consultant because large profits and equally large losses can occur in art investing (Wolgemuth 56-59).

### The Fund: Art as a Haven

Kehe quotes John Baldessari, a top contemporary artist, who said in jest, that collecting art is preferable because “you can acquire something much better to look at than a stock certificate” (Kehe, "The High-flying Art Market"). A writer for *Art Agenda* quoted an Art Basel attendee,

What’s more liquid than cash? Art! Art is easier to ship across boundaries than cash, it wasn’t on the brink of collapse a year ago as was the Euro, it’s not real estate that will sink into the ocean in a few decades, and it’s not even subject to inheritance tax. No wonder hordes of new collectors are rallying up to the trough: the art market is neoliberalism’s best kept non-secret! (Archev, “Art Basel”)

Art has become a place where people feel that they can store their money. For some collectors, this means that they buy art, even when they don’t intend to place it in their home; instead the purchase goes directly into a secured warehouse. There are also a plethora of “art funds” that exist, which have a very similar modus operandi. The first of its kind was the British Rail Pension Fund, who sought out to capitalize on the booming art market. Some current funds are London’s Fine Art Fund Group, Kansas City’s The Collector’s Fund, Boston’s Fernwood Art Investments, and Luxembourg based Art Collection Fund (Kim, “The Hedge Funds of the Art World”). Despite the number of art funds, generally speaking they are not all that successful. People often use the British Rail Pension Fund as a case that proves art fund success, but they are the rare example that had perfect timing. The main downfall with art funds is that they are often run



similar to private equity funds, and are required to go through a series of protocols and internal politics before moving forward with decisions to buy or sell. Such formalities create a significant roadblock for funds to sell art at the pace necessary for success because the market moves very quickly. Therefore, the most successful people in the art industry are those who have both the authorization and the liquidity to make hasty decisions and capitalize on the market.

### The Religion: Art as a Lifestyle

For some art connoisseurs, collecting is a way of life, a defining element of personal identity, and even carries somewhat religious undertones. A collection of works serves as a retrospective of one's past, present, future, beliefs, values and perceptions of the world in which they live. Just as art itself is a representation of its civilization, manifesting the worldview it belongs to and serving as an "expression of the conception of truth and aesthetic sensitivity," one could argue that the art boom manifested a culture of collectors who not only bought art but also cultivated the ideas and aesthetics of their time (Turan 1). Ethan Wagner and Thea Westrich Wagner consider themselves to be collectors that fall under this category. They are fully immersed in every aspect of the art world and define themselves by it. In a book they recently published together named *Collecting Art for Love, Money and More*, they write in the foreword,

We present art collecting as we know it—an activity or pursuit that can provide its adherents with emotional stimulation, intellectual satisfaction, opportunity for creativity and self-expression, life-enhancing relationship, interesting travel, financial gain.. and with all that, inevitable disappointments and frustrations. We come at the subject with thirty years of experience as professional art advisors and curators for private collections, publishers of artist' books and inveterate collectors. And with,

as well, an abiding love of art and admiration for the people who make it. Hopefully, our enthusiasm is contagious. (Wagner 5)

### The Influencers: Power Players of the Art World

Forbes published an article in 2013 indicated the most powerful art dealers, collectors, consultants, and influencers by calculating how much money they infiltrated the market with, either personally or as a secondary party. One of the most recognizable people is dealer and gallerist extraordinaire, Larry Gagosian. He has exhibited some of the most influential artists of our time including Cy Twombly, Jean-Michel Basquiat, Ed Ruscha, and Gagosian's showrooms have expanded to New York, Hong Kong, Athens, Geneva, and nine other locations. Some of the other top art dealers are: David Zwirner (David Zwirner Gallery), Arne Glimcher (Pace Gallery), Iwan Wirth (Hauser & Wirth), Marian Goodman (Marian Goodman Gallery), Matthew Marks (Matthew Marks Gallery), Paula Cooper (Paula Cooper Gallery), Barbara Gladstone (Gladstone Gallery), and William Acquavella (Aquavella Galleries) (Noer, "America's Most Powerful Art Dealers").

As for top art collectors, Forbes suggested that hedge fund tycoon Steve Cohen has \$8.3 billion of art, which accounts for 12% of his net worth. David Geffen reportedly invested \$1.1 billion, Eli Broad- \$1 billion, Boris Ivanishvili- \$1 billion, Francois Pinault- \$1 billion, Nasser David Khalili- \$930 million, Norman L. Braman-\$900 million, Doris F. Fisher- \$800 million, Leon Black- \$750 million, and Samuel Irving Newhouse Jr. has about \$700 million dollars of art (Andrews, "Top 10 Billionaire Art Collectors"). At about \$350 million, British marketing mogul Charles Saatchi may not have collected quite as much art as the people previously listed, but he has been an exceptionally

influential person in the industry, with a 30,000 square foot personal gallery in London. (Glancey, “Charles Saatchi buys artworks like Imelda Marcos bought shoes”). Other collectors include: Sheikha Hoor Al-Qasimi, the Rubbell family, Richard Chang, Eugenio López, Beth DeWoody, Bernard Arnault, the Kravis family, Agnes Gund, Emily Fisher Landau, and Jo Carole Lauder.

The last piece of the puzzle is the tastemakers, advisors and influential voices that drive the market, inevitably precipitating millions of dollars in sales. There are a handful of incredibly successful art consultants who fly under the radar, but the most public ones are: Guggenheim Asher run by Barbara Guggenheim and Abigail Asher, Lowell Pettit, Mary Hoeveler, and Thea Westrich. Additionally, some of the voices most important in the art industry are: Roberta Smith- New York *Times* co-chief art critic, Amy Cappellazzo- past Chairman at Christie’s who now has her own consultancy business, Glenn Lowry- Director of MoMA, Massimiliano Gioni- Artistic director of the 2013 Venice Biennale/ Director of New Museum, Amanda Sharp- Frieze Art Fair co-founder, Melissa Chiu- Director of the Asia Society Museum, Lucy Mitchell-Innes- President of Art Dealers Association of America (ADAA), and Sheikha Al-Mayassa bint Hamad bin Khalifa Al-Thani- Head of the Qatar Museums Authority.

The Forbes technique for determining influence offers valuable insight into the dominant figures of the art world, but the reality is that the industry is far from transparent. For instance, the worth of private collections cannot be a definitive figure because of artwork’s regular fluctuation in value. Additionally, there are a great number of private sales and therefore, the most reliable public art sale records come mainly from live and online bidding statistics. Even auction houses buy and sell art under the radar;

for instance, at the end of 2012's first quarter Christie's private sales grossed \$186.7 million (Genocchio, Auction Houses vs. Private Sales). Further, influence cannot always be measured in a quantitated value, for there are a number of intangible factors that can also contribute to a person being important in the art industry. For example, there are a number of art editors, critics, non-profit groups, curators, and museum directors, who do not directly influence commercial sales, but have a significant impact on the next generation of artists, audiences and collectors.

### The Patron: Art as Philanthropy

Among wealthy art collectors of today, there is also a profound desire to be involved with philanthropy through offering financial donations as well as artwork gifts and loans. Stephanie Fabre's article, "Reciprocating the Philanthropist's Gift: The American Art Awards," mentions the profound relationship between non-profit institutions and the market. She also discusses that awards established by institutions such as the Whitney Museum acknowledge and celebrate philanthropy, initiating symbolic social values (Fabre, "Reciprocating the Philanthropist's Gift"). In one example she mentions Herbert and Dorothy Vogel, who have donated more than 200 works from their 2000- plus collection, consisting mainly of Conceptual and Minimalist artwork to the National Gallery of Art (Aber 34). This continuous philanthropic cycle of donating artwork and funding new museum expansions, influences the aesthetic of institutions, the art market and future generations of art viewers.

However it is also important to recognize that collector involvement with museums is not always their decision, for it is common for mid-career and established

artists to include stipulations on the purchase of their artworks. The two most standard provisions are that the collector partner with an institution to loan the work or donate the piece after a predetermined timeframe. Such a notion is significant when contemplating the market today, for when an artist enters into a museum either temporarily or permanently, their work increases in value. While many private collectors have honorable intentions, it is not uncommon for them to gift to museums when they have additional works by the artist remaining in their collection. Subsequently, the artist gains greater status and higher value from becoming part of a museum collection, and ultimately artwork by the artist will be sold for a higher price at auction. Additionally, museums have a history of hosting artist retrospectives during the same auction season where they are featured as a top lot. Ultimately, such exhibitions create greater interest in the work and ultimately result in more bidders and a higher hammer price.

Overall, global economic success has infiltrated large amounts of money into the art market and has led to an exceedingly large number of wealthy people in the world looking to 'invest' their money in art. Ultimately, the art world reaps the financial benefits because whether these individuals view art as a luxury asset, a smart financial investment, a glitzy prize, or just a challenge, they will continue to collect. One can surmise that if emerging markets do well, then the wealthy will continue to stabilize the art market.

## Chapter IV

### Technology: Transforming the Art Industry

The culture of collecting art has become synonymous with money and exclusivity, yet people collect art for a variety of personal reasons: philanthropic ventures, aesthetic taste, emotional connection or as a status symbol. Despite what drives an individual to initially become involved in the art market, the presence of today's technology brings everyone together in a Global Marketplace. Since the 1980s technological advances have been moving full speed ahead and have newer, quicker, faster ways to research, share documentation, access files, view condition reports, bid at auction and from online marketplaces, share images and ultimately- buy and sell expensive art. Los Angeles curator turned dealer, Paul Schimmel was quoted saying, "The interest in contemporary art is much broader, much richer and much deeper than it was when I started out 30 years ago" ("Contemporary Art: On a Wing and a Prayer"). This goes for many aspects of the art industry, as well as for the art itself. Throughout the last few decades of the contemporary art craze, many artists have tapped into technological advances, often defined as New Media, which allows for further creative expansion and experimentation. Contemporary art as a genre consists of a broad range of mediums, including technology based processes such as: digital art, computer graphics, animation, virtual art, interactive art, and laser printing. There is a strong fascination today in both blue chip and emerging artists experimenting with various mediums, technologies, and will continue to keep the collector's market on its toes.

## The Technological Catalyst: Smartphones

It is undeniable that the world has become extremely interconnected since the invention of the Internet. Social Media has become one of the most powerful tools of all time, serving as a platform for people to connect. The number of smartphone and tablet users continues to drastically increase.

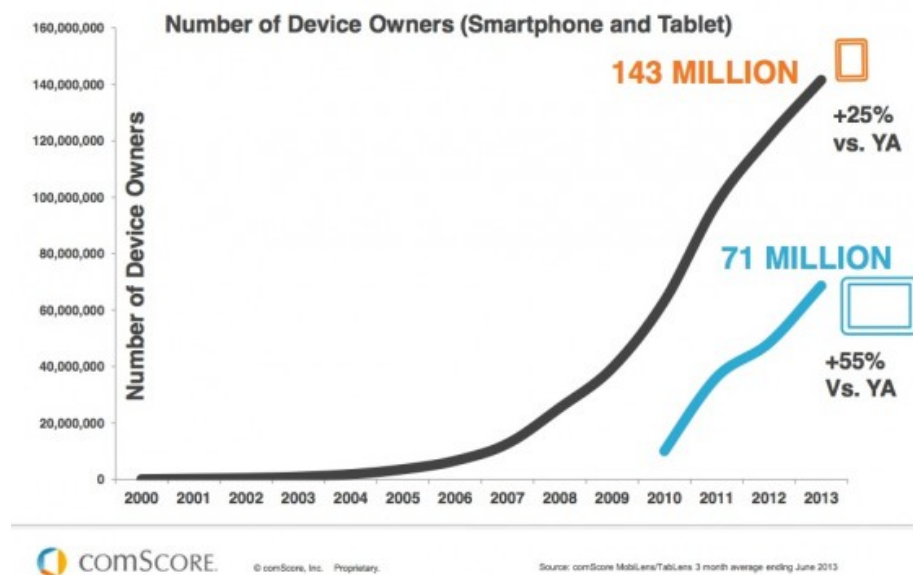


Figure 6. Smartphone Increased Usage from 2000- 2013. ComScore, “Number of Device Owners.”

*Axa Art, International Collectors Survey 2014* is the product of a vast survey conducted online of nearly 1000 international collectors — 91% of these from Western countries. 95% of collectors affirmed that they regard the Internet as a vital source of information (multiple responses were allowed in this part of the survey), whilst 34% of interviewees admitted to having bought works of art online. (“Collecting in the Digital Age”)

As more people become fluent in technology, increasing numbers join the global art marketplace. A buyer in Africa can purchase a Gerard Richter from the UK. Auction houses, galleries and art fairs all post their entire exhibitions online. There are entire websites devoted to online art auctions such as Paddle8 and 20 x 200 as well as art platforms that have incorporated the purchasing of works online: Artspace and Artsy.

Online sales, a small but rapidly growing segment of the market, generated more than 2.5 billion euros in 2013, the report showed. It is estimated that the online art market, including online sales by auction houses, dealers and online-only companies, could grow at a rate of at least 25 percent per annum, meaning that they could exceed 10 billion euros by 2020,” the report found. (Kazakina, “Art Market Nears Record With \$66 Billion in Global Sales”)

### The Platform: A Global Marketplace

While new online art auctions certainly have their critics, most people do not realize that online buying has been integrated with the most established auction houses for some time. When I worked at a New York City auction house, I noticed that many collectors and their representatives used a somewhat archaic online bidding system to purchase works. During an auction there are bidders present in the room, staff on the phone with clients, as well as an employee who often sits near the auctioneer and monitors the online bidding. However, only recently has Christie’s begun developing a platform that focuses solely on e-commerce. The department announced in 2014 a \$20 million investment towards improving its digital infrastructure. In data released in the summer of 2014, “Christie’s confirms that 48% of all client registrations are now facilitated digitally. In 2013, 45% of buyers in online-only sales were new to Christie’s, with many sales seeing over 50% new client activity. Findings from online-only sales reveal that one in five buyers is under the age of 45 and visitors to christies.com came from 185 countries and numbered 20 million in 2013, 19% year on year growth, with mobile views increasing 42% during the year” (“Christie’s Announces New \$20 Million Investment”). Additionally, Sotheby’s has joined the bandwagon and as of January 2015



they are currently creating a department that will focus solely on developing a successful e-commerce platform.

### The Visual Realm: Social Media Art Sharing

Now that more galleries have multiple locations all around the world, it is more difficult for a collector or their advisor to be present for shows, so the Internet allows for the seamless sharing of photos and videos. It is now commonplace for galleries to post individual images of works for sale on their Instagram accounts. Following art institutions on Instagram allows for a collector to be informed in real time of works that

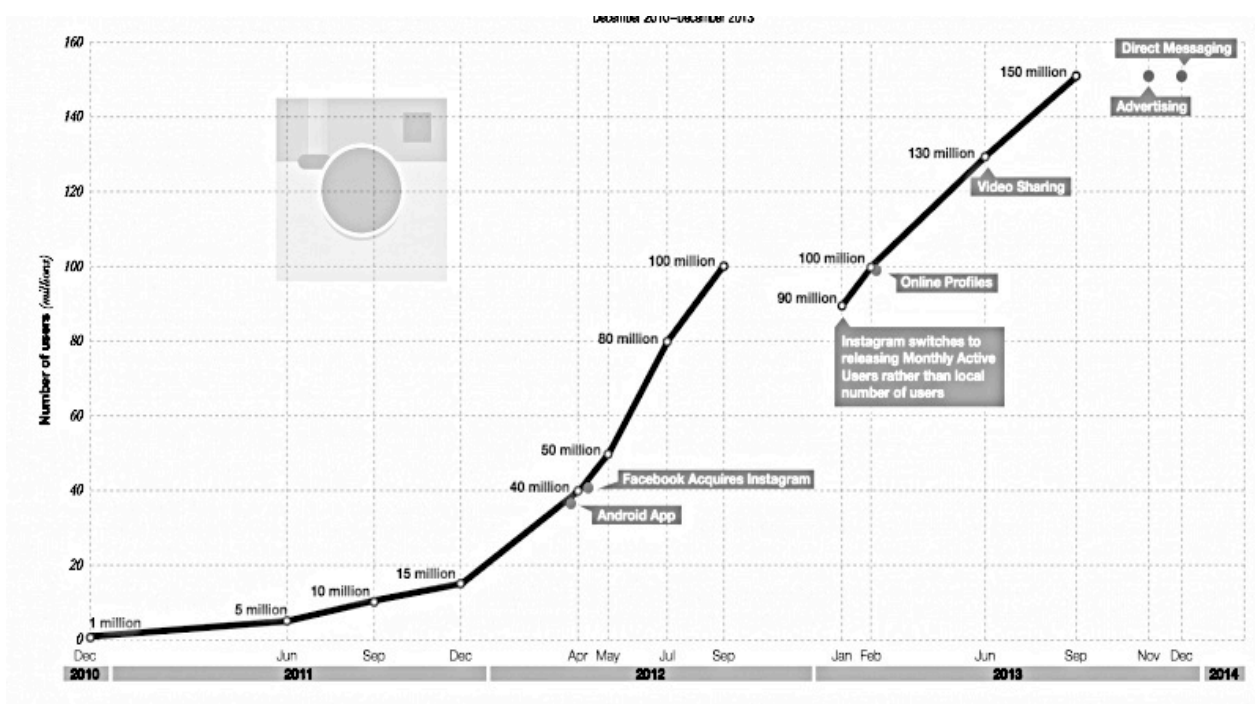


Figure 7. Social Media increased usage from 2010- 2014. Business Insider, “This Chart Shows How Instagram Reached 150 Million Users In Half The Time Of Twitter.”

will be exhibited, whether they are looking to buy or keeping an eye on artists that they already have collected. Instagram, an image based application, has around 180 million monthly users and estimate that about 16 billion photos have been uploaded to the site

(D’Onfro, “This Chart Shows How Instagram Reached 150 Million Users In Half The Time Of Twitter”).

When art collectors, advisors, collectors and enthusiasts cannot fly to an art fair or exhibition opening, they are still able to see the artwork on view through Instagram and various online media platforms. Society is becoming increasingly fluent in visual culture and people feel more comfortable than ever before on making judgments from an image. Gallery directors and associates often text or email a PDF or video of the artworks from a show to their top consultants. An advisor can then forward artwork images to their clients, receive a reply, and make a sale all within minutes. Social sharing enables top tier collectors first view for a new exhibition, no matter where they are in the world. Technology provides a platform that quickly connects buyers and sellers, and further drives the fast pace of contemporary art collecting.

### The Technology Realm: Artist as Technologist

The term “Artist as Technology” was the title of a panel discussion which took place at Art Basel Miami 2013, a segment that included artists Camille Henrot, Cécile B. Evans, Cory Arcangel, and art and technology godfather Robert Whitman, who founded Experiments in Art and Technology (E.A.T.) (Archev, “Art Basel”). In the last several decades the world has experienced unbelievable technological advances, which has been a fundamental force in shaping the evolution of art. In a *BBC* article by Israeli 3D digital sculptor, he writes,

Scientists, software developers, inventors, entrepreneurs - but also musicians, visual artists, film-makers and designers - are busy creating new human experiences. Thanks to them, not only is original art being

made everywhere, but entirely new art forms are evolving as well. More and more artists are pushing the boundaries of art, looking outside of what's perceived as 'traditional' to incorporate other aspects into their work. Art is becoming less and less static, taking up many new different shapes, from printing digitally created sculptures in 3D to flash-mobs to photographers lining up hundreds of naked volunteers on the beach. (Gever "Technology and Art: Engineering the Future")

At a conference at Florida Atlantic University's Centre for Body, Mind and Culture, Dr.

Else Marie Bukdahl said,

A closer study of the long cultural history of Western Europe reveals the visual arts as the art form with the closest correlation to the natural sciences and technology. The many new digital tools and other new technologies which constantly create dramatic changes in our society have also conquered the art world. Artists have created new art forms based on a reshaping of new technologies and with a focus on embodied creation and perception. (Bukdahl, "The Reenchantment of Nature and Urban Space")

There are many artists who are working on new, innovative ways to utilize technology in their practice. At an annual exhibit called NEW 13 Melbourne, artist Joshua Petherick creates "three visual and abstract representations... scored to an ambient soundscape. Here Petherick utilizes technology hardware, pressing iPhone cameras to a flatbed scanner, to produce his ephemeral images -- the result of the reproduction process. Petherick's art practice is concerned with mixing modern technologies and a variety of media to provoke discourse around consumption" (Thi Pham, "Technology as a Catalyst for Contemporary Art"). In January of 2016, artist Doug Wheeler exhibited a show at David Zwirner, which offers a beautiful example of how technology has changed the artist landscape. Wheeler utilizes an electric transformer, neon light and fabricated acrylic to produce his "encasements." A press release describing the show reads. "The neon light emanates from the center of the panel, rather than its edges, creating a more condensed luminosity. Unbounded by any kind of

frame, the light appears to dematerialize from its source and hover within the space, thus generating a distinctive physiological experience” (Doug Wheeler: Encasements).

In summary, with technological advances have come the introduction of Internet, smartphones, social media and software programs. We live in a world that has an ever-growing global marketplace, where images can seamlessly be shared and concepts of what constitutes art is constantly refined. There has been an upward increase in our visual fluency and we are constantly surrounded by images, so the bar has been heightened to overcome the mundane and stand out in the crowd.

## Chapter V

### Conclusion: The Future of Art

Since the 1980s, the critics continue to question, will the bubble pop? Where there is extreme wealth, there is demand for assets and as research in this thesis indicates, subsequently, a desire for art. According to Knight Frank's *The Wealth Report 2014*, a thorough analysis of financial markets forecasts that the number of UHNWIs will double in the next decade. There will

perceivably be a growth of wealth in India and China, a 144% increase in Indonesia and 166% in Vietnam, raising the number of UHNWIs in Asia up by 43%. By 2023, Asia's number of wealthy individuals will overtake the total number in North America. The UHNWIs in Turkey and Mexico are predicted to rise by a third over the next decade, while the number in Nigeria will double (Wealth Report 2014).

Additionally, continual

technological advances will only create more seamless and integrated online marketplace

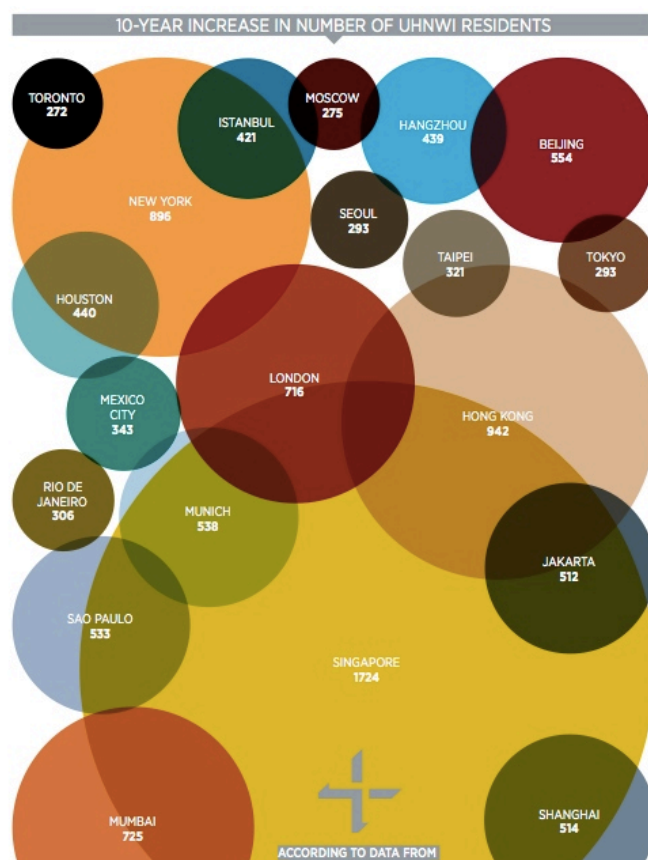


Figure 8. Cities Predicted to Increase in UHNWI from 2014-2024. Knight Frank, *The Wealth Report*.

platforms. Experts at the Pew Research Center surveyed over 1,000 engineers, information specialists, CEOs, and social researchers, to see what they think the Internet will be like in ten years. There was a common belief among those surveyed that information sharing will become “invisible, flowing like electricity.” Joe Touch, Director of the USC/ ISI Postel Center said, “We won’t think about ‘going online’ or ‘looking on the Internet’ for something — we’ll just be online, and just look” (John, “Experts Predict the Future of Technology and You Will Probably Be Wearing It”). With advances in technology comes inevitable shifts in society, offering different mediums for the next generation of artists to experiment with and ultimately, awakening a new wave of collector interest.

Contemporary art has undeniably transformed into an established, dominant culture in society and developments in technology will likely continue to influence the marketplace in a positive way. Recognizing that billionaire collectors have replaced millionaires subsequently suggests that blue chip art prices are nearing their peak. However, if emerging markets continue to be successful and produce a global increase in UHNWI, the industry will likely shift in momentum to differentiate and diversify with a focus on the next generation of artist talent.

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